BANK OF CHINA LIMITED, JOHANNESBURG BRANCH

Bank of China Limited Johannesburg Branch Pillar 3 Disclosures

Semi-Annual Part 2 (2022)

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1. Regulatory Framework for Disclosures

Bank of China Limited, Johannesburg Branch ("the Branch") is supervised by the Prudential Authority (PA) within the South African Reserve Bank, who determines the capital requirements for South African banks. The capital requirements are calculated based on the Banks Act 94 of 1990 (Banks Act), relevant regulations, directives and guidance notes issued by the PA. The Basel Committee's framework is structured around three 'pillars':

- Pillar 1 – minimum capital requirements;
- Pillar 2 – supervisory review process; and
- Pillar 3 – market discipline.

The purpose of the Pillar 3 Disclosure Report is to promote market discipline by providing investors/clients with key information relating to *inter-alia* a Branch's regulatory capital and risk exposures. A key goal of the revised Pillar 3 Disclosure requirements is to improve comparability and consistency of disclosures. Pillar 3 requires all material risks to be disclosed, resulting in a comprehensive view of the Branch's risk profile.

2. Pillar 3 Disclosures

The Branch's Pillar 3 Disclosures for the period ending 31 December 2022 comprises all information required under Pillar 3, being both quantitative and qualitative. The numbers are reported in Rand millions if there are no specific units in the report.

2.1 Financial Position

As at the end of December 2022 the financial position of the Branch was as follows:

- Total assets R45.41 billion
- Total liabilities R35.74 billion
- Total equity R9.67 billion

Total assets increased by 13.31% compared to that of December 2021.

2.2 Financial Performance

As at the end of December 2022 the Branch reported operating revenue to be slightly below the budget and operating expenditure is within the budget set for the 2022 financial year. There has been a year-on-year decrease in profits of 21% mainly driven by increase in impairment expenses and decrease in other income.

3. Risk Governance and Oversight

The Branch's Executive Committee ("EXCO") is accountable for all the risks of the Branch and delegates certain responsibilities internally to various committees which are aligned to South African regulatory requirements and Bank of China Head Office's management framework. The Finance Department ("FD") is responsible to prepare the reports and Internal Audit Department ("IAD") will perform independent review quarterly and semi-annually and External Auditors PricewaterhouseCoopers ("PwC") will perform the independent review annually before the reports to be published on the BOC website. The Branch also will follow the website publish rules set by Head Office to ensure the accuracy and timeliness.

4. Composition of Capital

In terms of the requirements of the Banks Act and the Regulations relating to Banks, the Branch has met the minimum capital requirements for the period under review.

The minimum capital requirements are defined by the following capital adequacy ratios namely:

- Common Equity Tier 1 capital as a percentage of risk-weighted assets;
- Tier 1 capital as a percentage of risk-weighted assets; and
- Total qualifying capital as a percentage of risk-weighted assets.

The Branch assesses the capital adequacy by considering the resources necessary to cover unexpected losses arising from risks, being those which it chooses to accept (such as credit and market risk), and risks which may arise in the operations environment. The capital management framework and related policies of the Branch are defined in the Internal Capital Adequacy Assessment Process (ICAAP).

This ensures that the Branch's level of capital:

- Remains sufficient to support the Branch's risk profile and outstanding commitments;
- Exceeds the Branch's minimum regulatory capital requirements by an appropriate buffer;
- Is capable of withstanding a severe economic downturn stress scenario; and Remains consistent with the Branch's strategic and operational goals and Bank of China (BOC) Group's expectations.

4.1 Table 1: Composition of regulatory capital (CC1)

		a	b
		Amounts	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	5,800	(h)
2	Retained earnings	3,302	
3	Accumulated other comprehensive income (and other reserves)	18	
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	**Common Equity Tier 1 capital before regulatory adjustments**	9,119	
	Common Equity Tier 1 capital: regulatory adjustments	-	
7	Prudent valuation adjustments	0	
8	Goodwill (net of related tax liability)		(a) minus (d)
9	Other intangibles other than mortgage servicing rights (net of related tax liability)		(b) minus (e)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)		
11	Cash flow hedge reserve		
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale		
14	Gains and losses due to changes in own credit risk on fair valued liabilities		
15	Defined benefit pension fund net assets		
16	Investments in own shares		
17	Reciprocal cross-holdings in common equity		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		
20	Mortgage servicing rights (amount above 10% threshold)		(c) minus (f) minus 10% threshold
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold		
23	Of which: significant investments in the common stock of financials		
24	Of which: mortgage servicing rights		
25	Of which: deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		
28	**Total regulatory adjustments to Common Equity Tier 1**	0	
29	**Common Equity Tier 1 capital (CET1)**	9,119	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying additional Tier 1 instruments plus related stock surplus		(i)
31	Of which: classified as equity under applicable accounting standards		
32	Of which: classified as liabilities under applicable accounting standards		
33	Directly issued capital instruments subject to phase-out from additional Tier 1		
	Additional Tier 1 capital: instruments		
34	Directly issued qualifying additional Tier 1 instruments plus related stock surplus		
35	Of which: classified as equity under applicable accounting standards		
36	Additional Tier 1 capital before regulatory adjustments	-	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own additional Tier 1 instruments		
38	Reciprocal cross-holdings in additional Tier 1 instruments		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation		
41	National specific regulatory adjustments		
42	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions		
43	Total regulatory adjustments to additional Tier 1 capital	-	
44	Additional Tier 1 capital (AT1)	-	
45	Tier 1 capital (T1 = CET1 + AT1)	9,119	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus		
47	Directly issued capital instruments subject to phase-out from Tier 2		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		
49	Of which: instruments issued by subsidiaries subject to phase-out		
50	Provisions	325	
51	**Tier 2 capital before regulatory adjustments**	325	

4.1 Table 1: Composition of regulatory capital (CC1)

	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities		
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)		
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56	National specific regulatory adjustments		
57	**Total regulatory adjustments to Tier 2 capital**	-	
58	**Tier 2 capital (T2)**	325	
59	**Total regulatory capital (TC = T1 + T2)**	9,444	
60	**Total risk-weighted assets**	28,641	
	Capital ratios and buffers		
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	31.84	
62	**Tier 1 (as a percentage of risk-weighted assets)**	31.84	
63	**Total capital (as a percentage of risk-weighted assets)**	32.98	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	2.58	
65	Of which: capital conservation buffer requirement	2.50	
66	Of which: bank-specific countercyclical buffer requirement	0.08	
67	Of which: higher loss absorbency requirement	N/A	
68	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements**	23.89	
	National Minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)		
70	National Tier 1 minimum ratio (if different from Basel III minimum)		
71	National total capital minimum ratio (if different from Basel III minimum)		
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities		
73	Significant investments in the common stock of financial entities		
74	Mortgage servicing rights (net of related tax liability)		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	104	3
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	350	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	325	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase-out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase-out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase-out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

As at 31 December 2022 the Branch reported a Capital Adequacy Ratio (CAR) of 32.98%. The decrease from 30 June 2022 is mainly as a result of credit risk which constitutes approximately 91% of the total risk exposure. On 8 June 2022, the 2021 profit of R694 million was reverted back to Head Office.

4.2 Table 2: Reconciliation of regulatory capital to balance sheet (CC2)

	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period-end	As at period-end	
Assets			
Cash and cash Equivalents	2,006	2,006	
Property and equipment	43	43	
Derivative financial instruments	81	81	
Deferred tax income assets	104	104	
Loans and advances to banks	2,909	2,909	
Loans and advances to customers	22,082	22,082	
Current income tax assets	2	2	
Investment securities	18,179	18,179	
Other Assets	3	3	
Total assets	45,409	45,409	
Liabilities			
Deposits from customers	18,986	18,986	
Deposits from banks	11,411	11,411	
Derivative financial instruments	1	1	
Provisions	115	115	
Other liabilities	119	119	
Green bonds	5,111	5,111	
Total liabilities	35,743	35,743	
Equity			
Branch capital	5,800	5,800	
Retained earnings	3,848	3,848	
Fair value reserves	18	18	
Total shareholders' equity	9,666	9,666	

The amounts under regulatory scope (column b) and the balance sheet published in financial statements (column a) are the same for the period of December 2022. This is consistent with the disclosure in June 2022.

4.3 Table 3: Main features of regulatory capital instruments (CCA) and of other TLAC-eligible instruments

		a
		Quantitative / qualitative information
1	Issuer	Bank of China Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	None
3	Governing law(s) of the instrument	South Africa
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	N/A
4	Transitional Basel III rules	CET1
5	Post-transitional Basel III rules	CET1
6	Eligible at solo/group/group and solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	CET1
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	5,800
9	Par value of instrument	5,800
10	Accounting classification	IFRS: Equity
11	Original date of issuance	2000
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupon/dividends	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory	N/A
21	Existence of step-up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Writedown feature	N/A
31	If writedown, writedown trigger(s)	N/A
32	If writedown, full or partial	N/A
33	If writedown, permanent or temporary	N/A
34	If temporary write-own, description of writeup mechanism	N/A
34a	Type of subordination	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

There have been no changes to the above table as compared with previous periods.

5. Macroprudential Supervisory Measures

The proportion of capital held for CCyB requirements in geographies other than South Africa are shown in the table below.

5.1 Table 4: Geographical distribution of credit exposures used in the countercyclical capital buffer (CCyB1)

The countercyclical capital buffer (CCyB) rate has been calculated for the Basel Committee on Banking Supervision (BCBS) jurisdictions where the Branch has private sector credit exposures and the Risk Weighted Assets (RWA) is applied consistently with the RWA being an extension of the capital conservation buffer. The countercyclical buffer amount has been added to total RWA. The Countercyclical Capital buffer rate has been obtained from the BCBS website.

	a	b	c	d	e
Geographical breakdown	Countercyclical capital buffer rate	Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer		Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
		Exposure values	Risk weighted Assets		
Hong Kong	1.00%	1,819	1,816		
Luxembourg	0.50%	0	0		
Sum		1,820	1,816		
Total		52,603	25,989	0.08	22

The foreign exposures that are below the CCyB threshold are deemed to be domestic exposures. The exposure from Hong Kong is the most significant exposure for reporting of countercyclical capital buffer.

6. Liquidity Risk

Liquidity risk is the risk that the Branch does not have sufficient financial resources to meet its obligations as they fall due, or will have to access such resources at excessive cost. This includes repaying depositors or maturing wholesale debt. The risk arises from mismatches in the timing of cash flows. The Branch follows the Bank of China Group’s (the Group) liquidity framework.

The objective of the Group’s internal liquidity and funding risk management framework is to allow it to withstand very severe liquidity stresses and be adaptable to changing business models, markets and regulations.

6.1 Net Stable Funding Ratio (LIQ2)

The Branch has applied the Basel III Net Stable Funding Ratio (NSFR) standards as from 1 January 2018, pursuant to Directive 8 of 2017 by the PA, with the objective of promoting funding stability and resilience in the banking sector by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities.

The Net Stable Funding Ratio (NSFR) have decreased 177% on 30 June 2022 to 150% on 31 December 2022, which is mainly due to the increase in corporate loans which increased Required Stable Funding. The decrease in the quarter-on-quarter Net Stable Funding Ratio (NSFR) is mainly due to the decrease in money market borrowings which contributed to the decrease in the Available Stable Funding.

The Branch maintains and ensures that its NSFR remains above the specified regulatory minimum requirements. The Branch maintained NSFR compliance in excess of the 100% regulatory requirement and operates above the risk appetite and management internal buffer requirements.

The ASF lines consist of the following:
Deposits from Customers and Banks as well as capital and funding received from issuance of Bonds. During the 2022 financial year, the branch issued Green Bonds (USD 300 million) which contributed to the significant increase in the Available Stable Funding.

The Required Stable Funding (RSF) lines consist of the following:
Loans issued to customers and banks as well as investment in government bonds and treasury bills.

The following are key drivers which may potentially influence the movement of the NSFR:

- The drivers of the ASF are the deposits received from clients (based on customer type) and residual maturity of deposits as well as capital injection.
- The drivers of the RSF are the issuance of the loans to clients (based on customer type) and residual maturity of the loans issued as well as the addition and maturity of High-Quality Liquid Assets (HQLA).

Table 5: Net Stable Funding Ratio (LIQ2)

The decrease in the quarter-on-quarter Net Stable Funding Ratio (NSFR) is mainly due to the decrease in money market borrowings which contributed to the decrease in the Available Stable Funding.

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	Available stable funding (ASF) item					
1	Capital:	9,444				9,444
2	Regulatory capital	9,444				9,444
3	Other capital instruments					
4	Retail deposits and deposits from small business customers:	425	140	33	2	541
5	Stable deposits					
6	Less stable deposits	425	140	33	2	541
7	Wholesale funding:	4,183	19,981	3,700	7,044	17,340
8	Operational deposits					
9	Other wholesale funding	4,183	19,981	3,700	7,044	17,340
10	Liabilities with matching interdependent assets					
11	Other liabilities:					
12	NSFR derivative liabilities		-	-	-	
13	All other liabilities and equity not included in the above categories	670	-	2	80	81
14	Total ASF					27,406
	Required stable funding (RSF) item					
15	Total NSFR high-quality liquid assets (HQLA)		12,515	5,042	622	909
16	Deposits held at other financial institutions for operational purposes	1,025				40
17	Performing loans and securities:					
18	Performing loans to financial institutions secured by Level 1 HQLA					
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		4,994	1,797	4,039	5,687
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:		3,218	1,393	10,768	10,998
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		-	-	2,305	1,498
22	Performing residential mortgages, of which:		0	0	14	10
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		0	0	14	10
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities					-
25	Assets with matching interdependent liabilities					
26	Other assets:	43	2	3	228	277
27	Physical traded commodities, including gold					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
29	NSFR derivative assets				81	81
30	NSFR derivative liabilities before deduction of variation margin posted					
31	All other assets not included in the above categories	43	2	3	147	196
32	Off-balance sheet items		7,828			391
33	Total RSF					18,311
34	Net Stable Funding Ratio (%)					150

7. Credit Risk

7.1 Table 6: General qualitative information about credit risk (CR1)

The below table provides a breakdown of the credit quality of on and off-balance sheet assets (gross and net of impairments) and reconciles to the amounts reported in the annual financial statements.

		a	b	c	d
		Gross carrying values of		Allowances/ impairments	Net values (a+b+c)
		Defaulted exposures	Non-defaulted exposures		
1	Loans	224	26,225	-477	25,972
2	Debt Securities	-	18,179	-3	18,176
3	Off-balance sheet exposures	29	7,799	-28	7,800
4	**Total**	**253**	**52,203**	**-508**	**51,948**

The Branch applies a consistent definition to default for regulatory and accounting purposes. The Branch has 4 customers in default and there were small movements in repayments and exchange rate changes. Therefore, total number of clients remain the same.

7.2 Table 7: Changes in stock of defaulted loans and debt securities (CR2)

The table below depicts the changes in the Branch's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories related to existing customers and exchange rate fluctuations. There have been no changes in default customers from period 30 June 2022 to 31 December 2022. The small movements are attributable to repayments and exchange rate changes.

		a
1	**Defaulted loans and debt securities at end of the previous reporting period**	255
2	Loans and debt securities that have defaulted since the last reporting period	
3	Returned to non-defaulted status	-2
4	Amounts written off	
5	Other changes	0
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4+-5)**	**253**

7.3 Table 8: Credit risk mitigation techniques – overview (CR3)

The below table reports the extent of on balance sheet Credit Risk Mitigation (CRM) techniques used to reduce capital requirements as well as the extent of exposures secured by collateral and/or guarantees.

		a	b	c	d	e	f	g
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantee	Exposures secured by financial guarantee, of which secured amount	Exposures secured by credit derivative	Exposures secured by credit derivative, of which secured amount
1	Loans	25,972	-	-	-	-	-	-
2	Debt Securities	18,176	-	-	-	-		
3	**Total**	**44,148**	**-**	**-**	**-**	**-**	**-**	**-**
4	Of which defaulted	253						

The secured exposures are reported as Exposure at Default (EAD) before any credit conversion factors or mitigation in the current reporting period and only contains exposures that have security against them either in full or partially.

All exposures not secured by both eligible collateral and/or a qualifying guarantee are regarded as unsecured.

7.4 Table 9: Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)

The table below illustrates the effect of eligible collateral as defined in the standardised approach for credit risk.

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	18,652	341	18,652	170	768	4%
2	Non-central government public sector entities	2,495	218	2,495	109	760	29%
3	Multilateral development banks	6,103	-	6,103	-	6,103	100%
4	Banks	4,044	3	4,044	2	1,678	41%
5	Covered bonds	-	-	-	-	-	0%
6	Corporates	13,233	7,226.48	13,233	3,350	16,585	100%
7	Subordinated debt, equity and other capital	-	-	-	-	-	0%
8	Retail	8	11	8	4	12	100%
9	Real estate	15	-	15	-	5	35%
	Of which: general RRE	15	-	15	-	5	35%
10	Defaulted exposures	224	29	69	15	49	0%
12	Other assets	1,071	-	1,071	-	46	4%
13	**Total**	**45,845**	**7,829**	**45,690**	**3,650**	**26,005**	**53%**

RWA is driven by exposures to Corporates (64%), Multilateral development Banks (23%) and Banks (6%) at December 2022 compared to June 2022 of Corporates (70%), Multilateral development Banks (16%) and Banks (7%). The composition of the exposures remains similar to prior period although there is an increase in the exposure to Multilateral development and a decrease to Corporates.

7.5 Table 10: Standardised approach – exposures by asset classes and risk weights (CR5)

The table below presents the breakdown of credit risk exposures under the market-based approach by asset class and risk weight, corresponding to the risk weighting percentage. Compared to June 2022, there was an increase on the Multilateral Development Bank exposures while there is a decrease on the corporate exposures. Under Banks exposure, exposures' amounting to R1.96 billion is risk weighted at 0%.

	Asset Class / Risk Weighting	0%	20%	50%	100%	150%	Other	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	17,557	622	-	643	0	-	18,822

	Asset Class / Risk Weighting	20%	50%	100%	150%	Other	Total credit exposures amount (post CCF and post-CRM)
2	Non-central government public sector entities	2,305	-	299	-	-	2,604

	Asset Class / Risk Weighting	0%	20%	30%	50%	100%	150%	Other	Total credit exposures amount (post CCF and post-CRM)
3	Multilateral development banks	-	-	-	-	6,103	-	-	6,103

	Asset Class / Risk Weighting	20%	30%	40%	50%	75%	100%	150%	Other	Total credit exposures amount (post CCF and post-CRM)
4	Banks	466	-	-	-		1,615	-	-	4,046

	Asset Class / Risk Weighting	10%	15%	20%	25%	35%	50%	100%	Other	Total credit exposures amount (post CCF and post-CRM)
5	Covered bonds	-	-	-	-	-	-	-	-	-

	Risk Weighting / Asset Class	20%	50%	65%	75%	80%	85%	100%	130%	150%	Other	Total credit exposures amount (post CCF and post-CRM)
6	Corporates	-	-	-	-	-	-	16,584	-	-		16,584

	Risk Weighting / Asset Class	100%	150%	250%	400%	Other	Total credit exposures amount (post CCF and post-CRM)
7	Subordinated debt, equity and other capital	-	-	-	-	-	-

	Risk Weighting / Asset Class	45%	75%	100%	Other	Total credit exposures amount (post CCF and post-CRM)
8	Retail	-	-	12	-	12

	Risk Weighting / Asset Class	0%	20%	25%	30%	35%	40%	45%	50%	60%	Total credit exposures amount (post CCF and post-CRM)
9	Real estate	-	-	-	-	15	-	-	-	-	15
	Of which: general RRE	-	-	-	-	15	-	-	-	-	15

	Risk Weighting / Asset Class	50%	100%	150%	Other	Total credit exposures amount (post CCF and post-CRM)
10	Defaulted exposures	69	15	0	-	83

	Risk Weighting / Asset Class	0%	20%	50%	100%	1250%	Other	Total credit exposures amount (post CCF and post-CRM)
11	Other assets	1,025	-	-	46		-	1,071

	Risk weight	On-balance sheet exposure	Off-balance sheet exposure (pre-CCF)	Weighted average CCF	Exposure (post-CCF and post-CRM)
1	Less than 40%	23,954	3	50%	23,955
2	40–70%	224			69
3	75%	-			0
4	85%				
5	90–100%	21,668	7,826	39%	25,316
6	105–130%				
7	150%				
8	250%				
9	400%				
10	1250%				
11	**Total exposures**	45,845	7,829	48	49,340

8. Counterparty Credit Risk

8.1 Table 11: Analysis of counterparty credit risk (CCR) exposure by approach (CCR1)

The below table provides a summary of the methods used to calculate counterparty credit risk regulatory requirements and the main parameters used within each method.

		a	b	d	e	f
		Replacement cost	Potential future exposure - add on	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	81	25	1.4	147	29
2	Internal Model Method (for derivatives and SFTs)					
3	Simple Approach for credit risk mitigation (for SFTs)					
4	Comprehensive Approach for credit risk mitigation (for SFTs)					
5	VaR for SFTs					
6	**TOTAL**					29

The RWA increased in December 2022 from June 2022 due to an increase in the volumes of derivatives.

8.2 Table 12: Credit valuation adjustment (CVA) capital charge (CCR2)

The below table provides a summary of the Credit Valuation Adjustment (CVA) regulatory calculation under the standardised approach.

		a	b
		EAD post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge		
1	(i) VaR component (including the 3×multiplier)		
2	(ii) Stressed VaR component (including the 3×multiplier)		
3	All portfolios subject to the Standardised CVA capital charge	147	67
4	Total subject to the CVA capital charge	147	67

CVA in the regulatory context is a capital charge to be taken into account for the possible volatility in the value of derivative instruments due to changes in the credit quality of the Branch’s counterparties. The increase compared to June 2022 is mainly due to an increase in derivatives transactions.

8.3 Table 13: Standardised approach of CCR exposures by regulatory portfolio and risk weights (CCR3)

The below table provides a breakdown of counterparty credit risk exposures excluding all CVA exposures that are reported in CCR2 as well as exposures to central counterparties, calculated according to the standardised approach: by portfolio (type of counterparties) and by risk weight.

	a	b	c	d	e	f	g	h	j
Risk weight / Regulatory portfolio	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns									-
Non-central government public sector entities (PSEs)									-
Multilateral development banks (MDBs)									-
Banks	-		147			-			147
Securities firms									-
Corporates						-			-
Regulatory retail portfolios						-			-
Other assets									-
Total	-	-	147	-	-	-	-	-	147

The increase as compared to June 2022 is mainly due to an increase in derivatives transactions.

8.4 Table 14: Exposures to central counterparties (CCR8)

		a	b
		EAD (post-CRM)	RWA
1	**Exposures to QCCPs (total)**		
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3	(i) OTC derivatives		
4	(ii) Exchange-traded derivatives		
5	(iii) Securities financing transactions		
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin		
8	Non-segregated initial margin		
9	Pre-funded default fund contributions		
10	Unfunded default fund contributions		
11	**Exposures to non-QCCPs (total)**		96
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	147	96
13	(i) OTC derivatives	147	96
14	(ii) Exchange-traded derivatives		
15	(iii) Securities financing transactions		
16	(iv) Netting sets where cross-product netting has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Pre-funded default fund contributions		
20	Unfunded default fund contributions		

The increase as compared to June 2022 is mainly due to an increase in derivatives transactions.

9. Market Risk

9.1 Table 15: Market Risk under the SA (MR1)

		a
		Capital charge in SA
1	General interest rate risk	
2	Equity risk	
3	Commodity risk	
4	Foreign exchange risk	8
5	Credit spread risk - non securitisations	
6	Credit spread risk - securitisations (non-correlation trading portfolio)	
7	Credit spread risk - securitisations (correlation trading portfolio)	
8	Default risk - non securitisations	
9	Default risk - securitisations (non-correlation trading portfolio)	
10	Default risk - securitisations (correlation trading portfolio)	
11	Residual Risk add-on	
12	Total	8

The major currencies that are subject to market risk is USD. The decrease from June 2022 is due to the clearing of the foreign net open position at year end.